Headquarters U.S. Air Force

Integrity - Service - Excellence

Air Force Financial Management

Major General Stephen Lorenz

AF Director of Budget

25 July 2005

Some days, this is what it feels like to be the AF Budget Director…

Let’s Hope Today Isn’t One of Them!

U.S. AIR FORCE

As The Group Commander

<u>You</u> Set the Tone for Fiscal Responsibility in Your Group

Your Resource Advisor is Your CFO

Your Resource Advisor's #1 Job --- Finding solutions for you!

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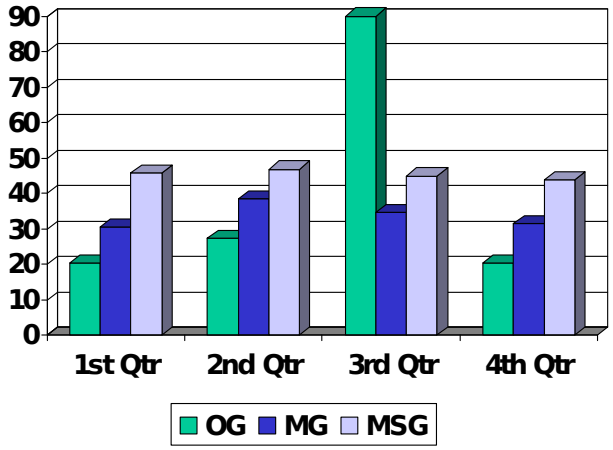
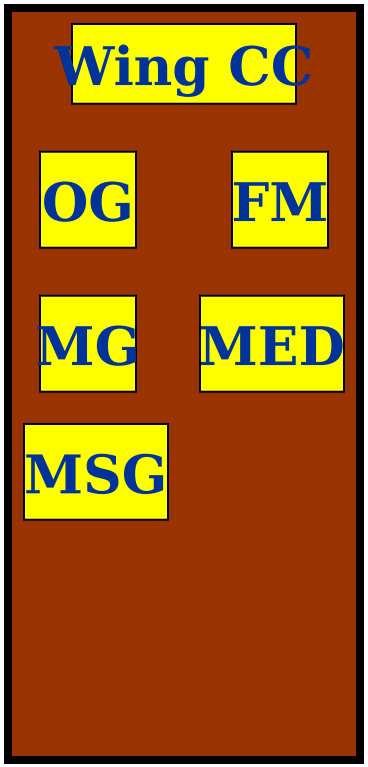
Wing Financial Structure

Financial Management Board Chairman

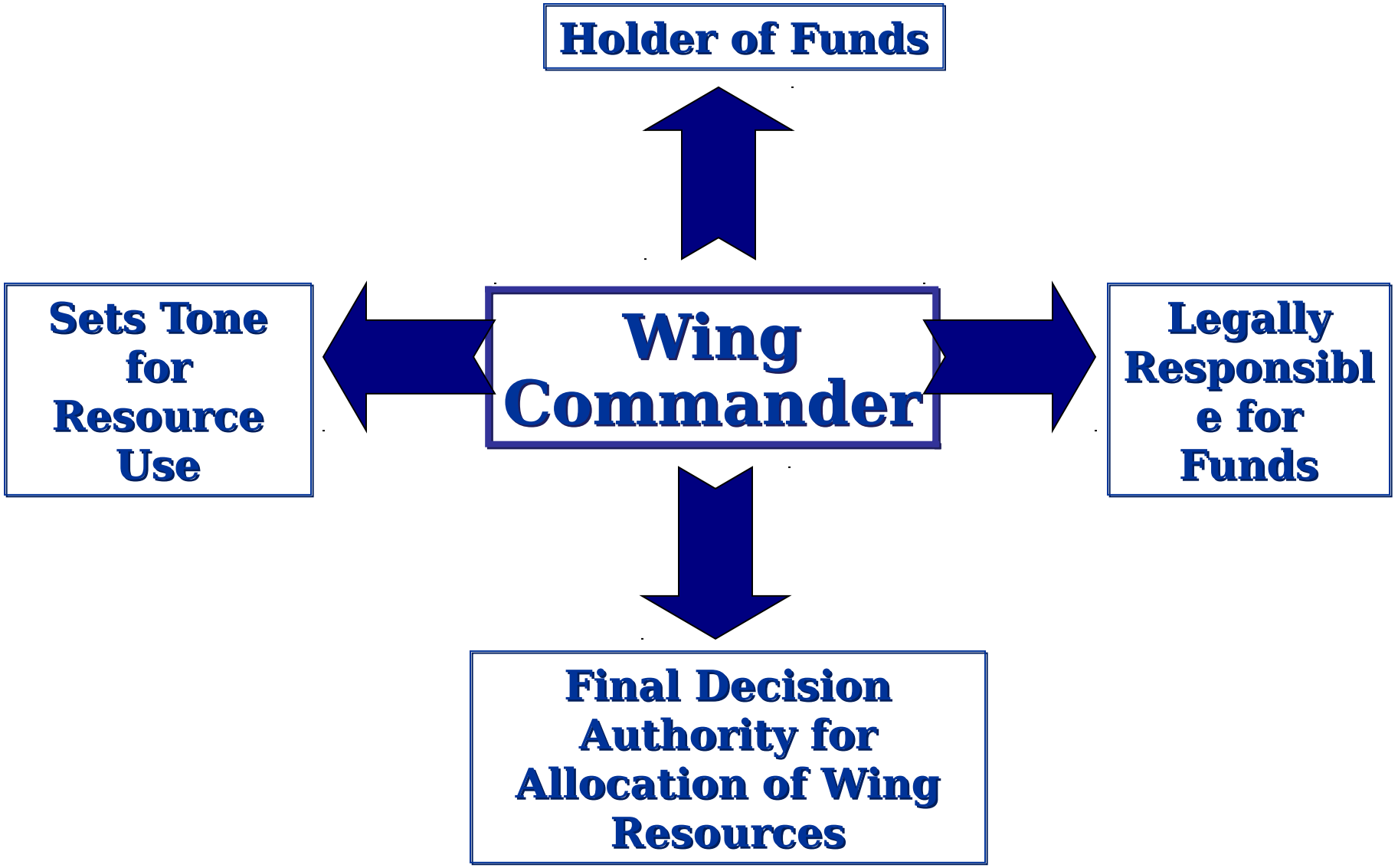




- Review Status of Funds
- Prioritize Requirements
- Approve Annual Budgets

You are a Key Player in How Taxpayer Dollars are Spent….Do it Wisely!

Financially: Wing Commander Responsibilities


Holder of Funds
Sets Tone for Resource Use
Wing Commander
Legally Responsible for Funds
Final Decision Authority for Allocation of Wing Resources

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Group Commander Financial Priorities

- **Understand the Needs of Your Units**
- **Know the Programs**
  - **What's Funded, Unfunded, and Priorities**
- **Keep Comptroller in the "Loop" as Mission Requirements Change**
- **Utilize the Comptroller as Financial Advisor -- not book keeper**

You Can Help…Be an Advocate for Your Mission

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Competing Priorities

Mission Priorities

Flying Hours
Fuel
Annual Contract
Vehicles
Equipment

You Help Prioritize Wing Requirements

Let FM find solutions

Other

Facilities
Base Appearance
Quality of Life
Civilian Awards
Computers

The dollars will come….The mission will get done

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Your Comptroller……

- **Works Directly for Wing Commander**
- **Is the Comptroller <u>Squadron Commander</u>**
- **Is the Advocate for Spending Dollars Wisely**
- **Is the Wing Liaison with Defense Finance & Accounting Service**
- **Is the Wing's Audit Focal Point**
- **Is the Liaison with Bank and Credit Union**

PENTAGON FEDERAL CREDIT UNION
SUPERIOR RATES. PROVEN SERVICE.

AIR FORCE AUDIT AGENCY

FM is your Financial Advisor…..Use him or her everyday!

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Meetings where you will look to your FM

- Financial Management Board
  - Adviser on Wing Resources/Issues
- CE Update and Facilities Board
  - Advisor on Funding Issues/Availability
- Civilian Employment Cost Management Committee
  - Adviser on Funds Availability for New Hires, Overtime, Annual Awards Program and Overhires
- NAF Council
  - FM Provides NAF Oversight
  - Recommendations on Best Business Practices

FM is your "honest broker"

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Major Budget Milestones

How to get more money

OCT – DEC

CRA

Initial Distribution

JAN – MAR

FINANCIAL PLAN

MID YEAR REVIEW

APR – JUN

Unfunded Requirements Due

3080 Invest. Equip. List Due

JUL – SEP

Scrub Accounts for Fallout

Year-End Buys

Plan ahead and be prepared

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O&M FUNDS
"What You Can Buy"

- Civilian pay
- TDY Expenses
- Supplies
- Equipment
  - (*under $250K = O&M, > $250K = 3080)*
- Trophies/plaques for authorized, recurring recognition programs
- Furnishings, refrigerators, microwav

  (if on the unit's Table of Allowance)
- Contracts
- Computers

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O&M Fund "Gray" Areas

- **Organizational Clothing**
- **Memberships in professional/community organizations**
- **Mementos**
- **Equipment lease vs buy**
- **Portable buildings/temporary structures**
- **Purchases for local area networks *(LANs)***

Call the FM first before you act

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"What You Cannot Buy"

- Entertainment (except Official Representation Funds)
- Entry fees for contests
- Coins (except for approved award programs)
- Gifts (going-away and retirement)
- Food and serving supplies

Avoid a Potential Anti-Deficiency Act Violation

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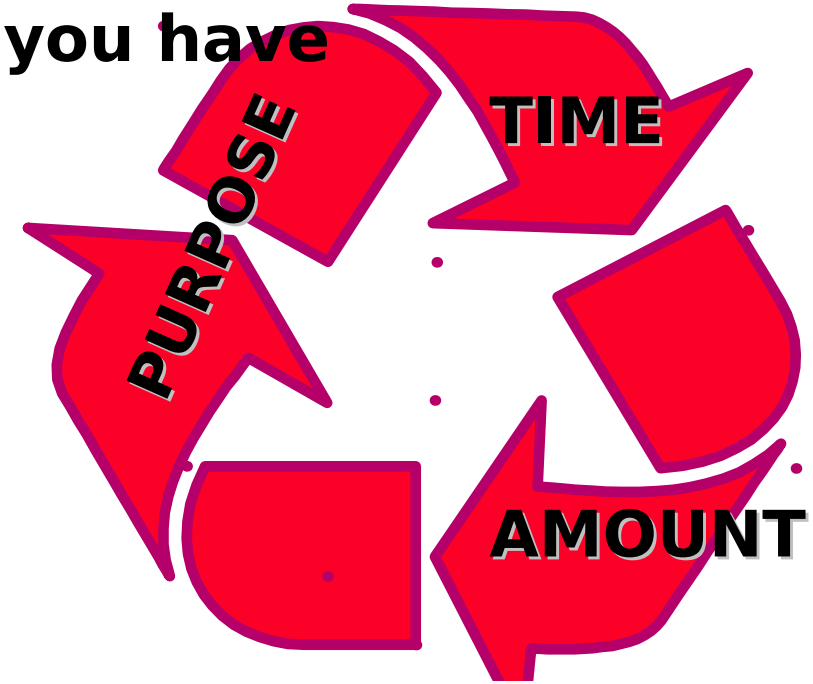
Antideficiency Act: What is it?

- Spending funds not yet appropriated
- Spending on requirements for a different purpose than originally appropriated
- Spending more than you have



IF IT HAPPENS

- Seek Guidance
- Report Within 48 Hours
- Investigate and Get Legal Review

Commander Involvement a Must

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Budget Words to Live By

Do *NOT* *spend* money until you receive it

Do *NOT* *spend* more money than you have

Do *NOT* accept voluntary services

ONLY **purchase authorized items**

Anti-Deficiency Act Violation

"Go to Jail – Do not pass go!"

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Finance Programs

New Programs

- Defense Travel System
- Leave Web
- Thrift Savings Plan
- MyPay
- Government Travel Card

Why We Have Them

- Improved Efficiencies
- Manpower Reductions in FM over last 10 yrs

LEAVE WEB
Air Force Financial Leave Request and Approval System

myPay

Gives troops greater access to their finances

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Government Travel Card (GTC)

- Program Under Intense Microscope
- Air Force Goal = Delinquency Rate $\leq$ 2.0%
- SECDEF Directed GTC Review
- Task Force Made 16 Recommendations (Top 3)
  - Tighten Management Oversight
  - Strengthen Internal Controls
  - Reinforce Range of Sanctions for Card Abuse
- Split Disbursement is now mandatory
- Reinforce Squadron CC's Responsibilities

Commander Involvement is a must….Prevents troops from getting in trouble

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O&M and NAF

CAT B – In the Middle

- Arts & Crafts/Automotive Skills Development
- Entertainment
- Sports Programs (Above Intramural Level)
- Outdoor Recreational Equi[illegible]pan
- Recreational Swimming Po[illegible]

- Ticket & Tours
- Youth Activities/Child Development Cente
- Bowling Centers (12 Lanes [illegible]s)
- Marinas/Private Boat Berth[illegible]

50/50 Split Between O&M and NAF

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Summary: Commander Survival Tips

- Know your FM
- Keep FM informed/involved
- Know your requirements
- Be prepared to defend them
- Know the mission impact if your program is not fully funded
- Be an Advocate for your program

Help your FM to Help YOU and your wing's mission!

U.S. AIR FORCE

Headquarters U.S. Air Force

Integrity - Service - Excellence

FY05 Budget Execution Summary

Major General Stephen Lorenz

AF Director of Budget

25 July 2005

FY05 Challenges and Strategy
Where We Were…

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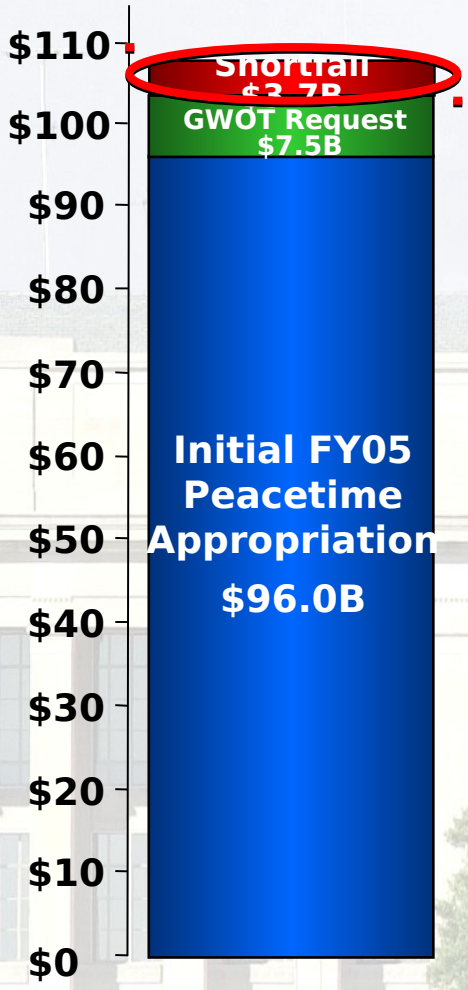

- **The Challenges – The Air Force was short $0.7B in MILPERS and $3B in O&M due primarily to:**
  - Over end-strength
  - Costs excluded from the Supplemental
  - A pending $1B payback from Working Capital Funds
- **The Strategy – To close this gap, we:**
  - Sought new money from the Hill in the Supplemental
  - Worked with OSD in the Mid-Year Review
  - Identified Air Force reprogramming sources
  - Scrubbed GWOT and peacetime bills
  - Slowed down Air Force operations

The Air Force engaged at all levels to cover the $3.7B shortfall – and these efforts are producing results

FY05 Challenges and Strategy
How We're Paying Off This Shortfall

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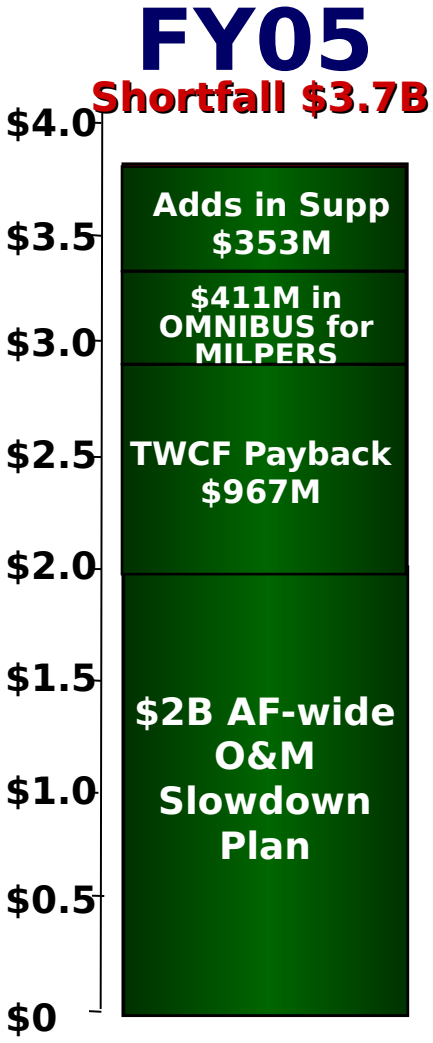

- **$353M of Congressional adds** in the Supplemental for MILPERS ($283M) and O&M ($70M)
- Reprogramming AF investment and DoD sources to cover remaining **$411M MILPERS bill** – on the Hill now
- **$967M payback to AF O&M from WCF** from OSD was key! This covered our **$1B "hot" check** – twice what we were originally told to expect
- Slowing down AF operations and scrubbing GWOT and peacetime bills to cover the remaining $2B O&M shortfall

MAJCOMs have been slowing peacetime operations to close the shortfall –
let's review the Air Force's O&M slowdown plan

Air Force O&M Slowdown Plan

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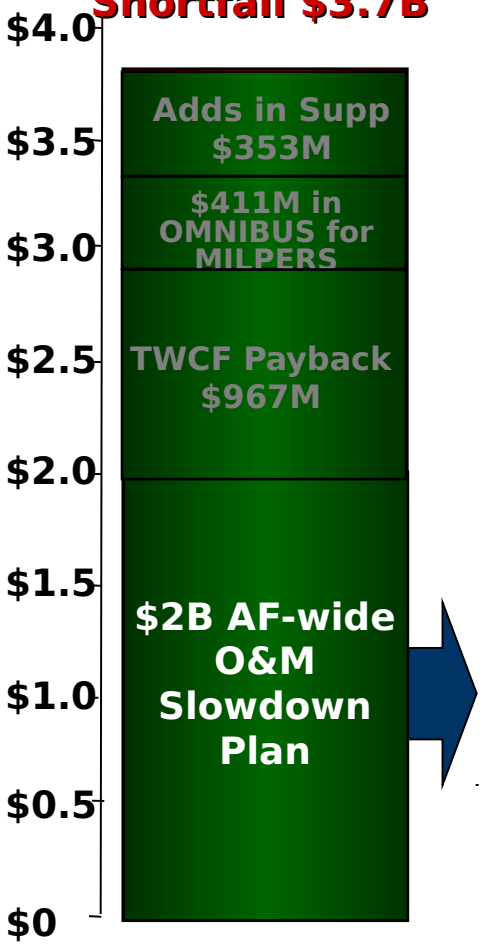
FY05

Shortfall $3.7B



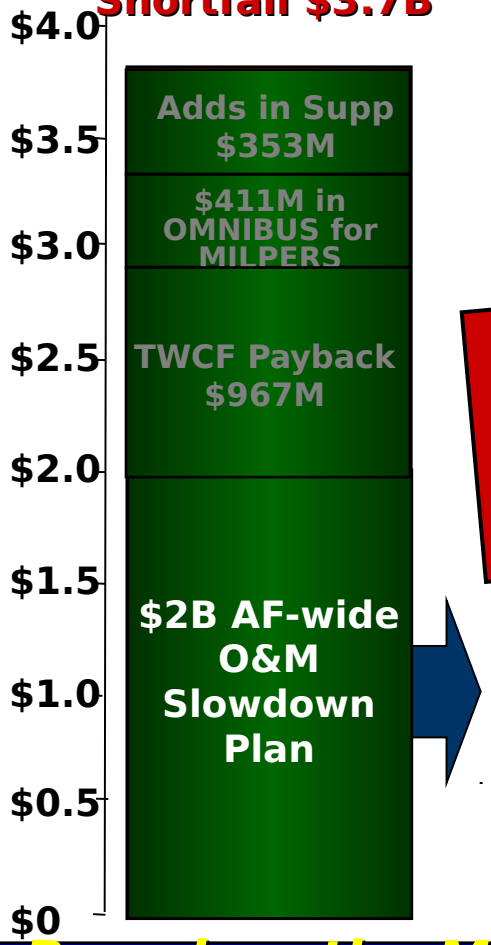
Proposed MAJCOM Sources	Approved AF Plan
Curtail TDY travel	$9M
TDY-to-School Quotas	$15M
Curtail Supplies/Equipment	$142M
Reduce Civ Pay Costs	$58M
Curtail Contracts	$188M
Reduce Facility Projects	$203M
Reduce Readiness Spares	$59M
Reduce CLS	$154M
Defer DPEM	$390M
Reduce Peacetime Flying Hours	$733M
	$1,951M

Air Force O&M Slowdown Plan

U.S. AIR FORCE

FY05

Shortfall $3.7B



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Curtail Supplies/Equipment	$142M
Reduce Civ Pay Costs	$58M
[illegible]	[illegible]
Reduce Peacetime Flying Hours	$733M
	$1,951M

$2B shortfall would have cut flying by 102,400 hours and deferred depot maintenance for 61 aircraft and 49 engines – readiness for some flying units was going to decline to C-3 and C-4

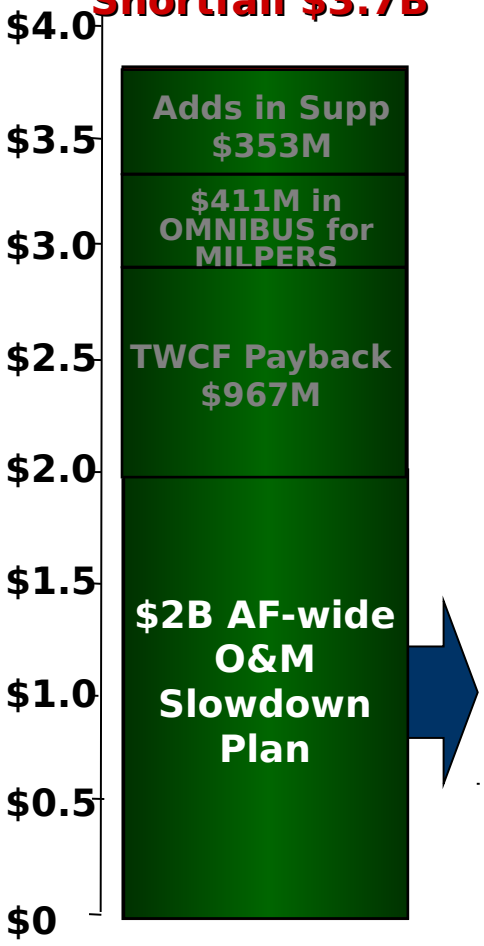
Based on the Mid-Year Review scrub results, we were able to mitigate some readiness impacts of the AF O&M slowdown plan...

Air Force O&M Slowdown Plan

U.S. AIR FORCE

FY05

Shortfall $3.7B



Proposed MAJCOM Sources	Approved AF Plan	Mid-Yr Review Sources	Revised Total
Curtail TDY travel	$9M		$9M
TDY-to-School Quotas	$15M		$15M
Curtail Suppl	M		$142M
Reduce Civ P	M		$58M
Curtail Contracts	$188M	$70M	$118M
Reduce Facility Projects	$203M		$203M
Reduce Re	M		$59M
Reduce CL	M		$154M
Defer DPE	M	$211M	$179M
Reduce Pe	73	$282M	$451M
	951M	$563M	$1,388M
AF-wide Tuition Assistance		+$37M	$600M

Funds key AF must-pay contracts

Reduces deferrals to 37 A/C & 27

Keeps flying units at end of year C-1 or C-2

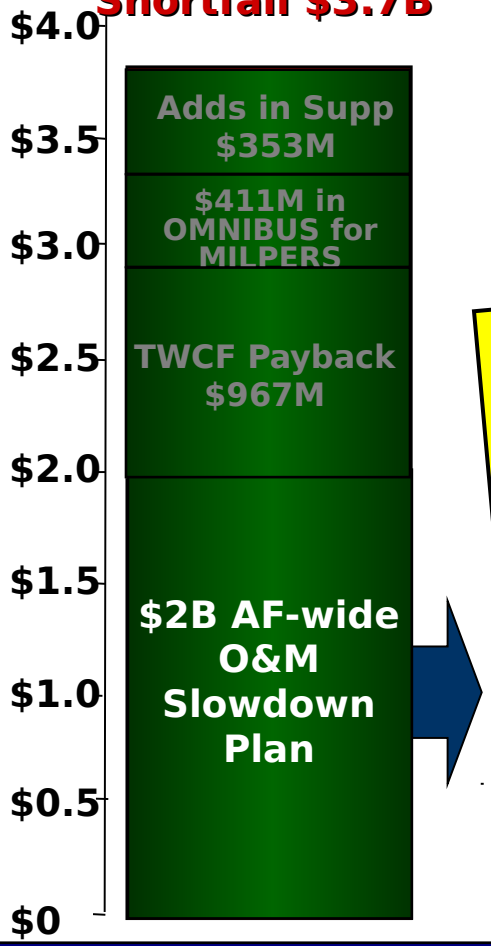
Fully funds TA program for our Airmen

Air Force O&M Slowdown Plan

U.S. AIR FORCE

FY05

Shortfall $3.7B



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Curtail TDY travel	$9M	$9M	
TDY-to-School Quotas	$15M	$15M	
Curtail Supplies/Equipment	$142M	$142M	
Reduce Civ Pay Costs			
		$973	$282M $451M
	$1,951M	$563M	$1,388M
AF-wide Tuition Assistance			+$37M
			$600M

This $600M buyback makes a difference, we still have to reduce flying by 69,600 hours and defer inductions of 37 aircraft and 27 engines – however, those flying units that were going to decline to C-3 and C-4 will not go below C-2

We will make it to the end of the year, but over $1B in O&M bills will bow wave into FY06…

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FY06 Financial Bow Wave

Deferred Requirements

Least Dear

Curtail TDY travel

TDY-to-School Quotas

Curtail Supplies/Equipment

Reduce Civilian Pay Costs

Curtail Contracts

Reduce Facility Projects

Reduce Readiness Spares

Reduce CLS

Defer Depot Maintenance

Reduce Peacetime Flying Hours

Most Dear

Amt Deferred to FY06

$163M

$415M

$229M

$59M

$132M

$180M

$1,178M

- Delays equipment reconstitution. All base supplies and equipment level are at bare minimum.
- Defers must-pay GWOT Security Force costs, curtails shipping, and increases information technology (IT) vulnerability.
- Increases backlog of Critical and Degraded facility projects. Facility recap at 319 years.
- Reduces spares availability to support combat operations.
- Defers inspection and maintenance actions on U-2, RC-135, EC-130, and KC-10 aircraft -- potential for aircraft grounding.
- Delays DPEM support to C-130 and KC-135 airframes, engines, and critical software.

This bow wave will make FY06 even more challenging – Here's an example of just how challenging it might be…

How the Air Force will maintain air superiority if the F/A-22 is cut…

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Summary

- **Has been a tough year!**
  - **We've had to accept degradation in our readiness and QoL programs and to protect our highest readiness priorities, we're pushing over $1B of bills into FY06**
  - **This bow wave will make FY06 just as challenging**

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